SOCIAL CREDIT

C. R. SANDERSON

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by

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FOREWORD

This booklet aims to present both sides of what is known as the Douglas Social Credit theory, and to present them equally fairly, equally forcibly. It is therefore in no way a political pamphlet. No mention of politics will be found in it, and there is no discussion of any particular adaptation of Social Credit. It summarises just what any reader would collect for himself if he chose to read the material available on both sides of the question.

The fullest acknowledgment is here given for the use of any arguments which may have appeared elsewhere, in Major C. H. Douglas's own books and pamphlets, in those by his supporters, and in the pamphlets and articles on the other side.

The origin of the booklet in its present form was an address before the Empire Club of Canada, and a debt is due to the president, Mr. J. H. Brace, for the loan of the manuscript which has here been somewhat adapted and expanded.

SOCIAL CREDIT

The Case for Social Credit

The case for Douglas Social Credit starts with the common argument which we have so frequently heard and read, and which we ourselves have used: that the trouble in the world to-day is the trouble of under-consumption. There is nothing wrong with the production side. Nations would buy, people would buy, individuals would buy, if only they had more purchasing power. The trouble, the basic trouble, is under-consumption.

All sorts of ideas are put forward to cure this ill of under-consumption. Some of them involve a radical reorganisation of society. But Social Credit offers a scheme which it believes will cure under-consumption without interfering in any way whatsoever with the present economic organisation. It leaves ownership untouched, it leaves management untouched, it leaves profits untouched, it leaves interest untouched; it leaves the present economic organisation just as it is. It applies itself directly and entirely to the financial side.

Let us set up three basic points. The first point is: that money need have no particular value in itself. We know this is true. There are many accounts of a certain monetary project in the seventeenth century in Lower

Canada. When actual metallic currency had run out, and when no further supply was available, the representative of the French Government hit upon the device of using as currency playing cards which he had endorsed. They were made out for different amounts, a whole card for a large sum, a half card for a lesser sum, a quarter card for a still lesser sum; and these playing cards were in use for nearly thirty-five years, accepted as currency by the people amongst whom they circulated.

We know also that the old goldsmiths, the originators of banking, accepted bullion for safe keeping and issued certificates in return; that those certificates changed hands without the bullion changing hands; and that the goldsmiths soon discovered a way—you couldn't blame them—of issuing more tickets than they had actual bullion. Those tickets circulated as currency. Similarly to-day, for the average man a dollar bill passes as a dollar bill without any particular thought as to the amount of specie there may or may not be at the back of it.

As Douglas says, the banking system of to-day, the financial system of to-day, is an inverted pyramid of credit standing on an apex of gold. According to figures given by Mr. W. A. Tutte in his book "Social Credit for Canada", the transactions which are carried out here in the form of bills and coin amount only to 2.6% of the total, whilst 97.3% of the transactions of the country are carried out in the form of cheque-currency.

If we think of these figures, doesn't the whole currency question take on a different aspect? Doesn't the question of inflation or deflation assume a changed char-

acter? It is no longer a dollar bill question; it becomes a cheque-currency question. As the first point, therefore, it may be stated that money need have no particular value in itself.

The second point is: that bank deposits are largely fictitious. They are things that are created in the books of the banks by the loans which the banks advance. The man who goes to the bank and raises a loan of $100,000 immediately creates on the other side of the books of that bank a deposit of $100,000. The fact that he lodges collateral doesn't make one bit of difference. Normally the collateral is merely locked up. But the moment he begins to draw on the deposit (the creation of the bank) in the form of cheque-currency, he immediately adds to the currency of the country. Where does this additional currency come from? It comes from nowhere. It is simply new currency added to old currency; it is created by the banks; it is dependent on those deposits which are merely the counterparts of the loans. The whole foundation is a fictitious thing, but in result it is turning more and more currency into circulation all the time. Go one step further. When the loan is repaid to the bank, as it must be, the bank charges interest, and the bank therefore collects back out of the currency-circulation more than it actually puts in.

Isn't it obvious that, as time goes on, under-consumption must be an ever-increasing evil? So much for the second point.

The third point is: that industry to-day attempts to recover in its prices all the costs of production. But we

all know that a constantly increasing proportion of those costs goes to machinery; the relative costs that go to wages are a decreasing proportion of the whole. The result is that the amount which is paid back to the consumer as a return for his labour is never sufficient to buy back the product of industry as it is turned out. In fact the position is worse than that because some saving takes place, and of course we know that every time anybody saves anything this means a reduction of the present consumption-capacity,—a reduction of the demand by the final consumer for goods and services. There is never at any given moment enough purchasing power in the hands of the consumer to buy back the product of industry.

To emphasize this point Douglas introduces his famous division between what he calls "A" costs and "B" costs. His "A" costs of production are the payments made to individuals for salaries, for wages, for dividends. His "B" costs are the costs that go for machinery, for maintenance, for raw materials, for financial charges. Actually it is only the "A" costs that are paid back directly to the consumer. That is, the rate of the flow of purchasing power to the individual is represented by "A", because money is normally only distributable through the agency of salaries, wages, and dividends. True, some of the "B" costs go back one way or another to the consumer. Some of the machinery cost, for example, goes back. But in point of time it has already gone, perhaps even a considerable time earlier; and spending power distributed, say, two years ago is not available for consumption to-day. So far as any particular productive

period is concerned, practically speaking it is the "A" costs alone that go to the consumer. Yet we expect the consumer with his "A" income to buy back the product of industry, which has cost "A" plus "B" to produce. No wonder we have under-consumption! And no wonder that it has taken on the appearance of being chronic!

That is the situation as Social Credit sees it. Social Credit proposes to meet it by one piece of basic theory and by two simple applications of that particular theory.

The basic argument is this: the Financial Credit of a country must be made equal to, and must be kept equal to, its Real Credit. Its Real Credit is its productive capacity. Its Financial Credit is its consuming capacity. These must be made equal and kept equal, and the task of doing it must be a function of the government.

It is stated that apart from all consumable goods and services, $250,000,000 were added to the permanent real credit of this country in 1931. What is needed is that financial credit shall be proportionately increased. By a regulated increase in the financial credit, or purchasing power, of the community, the total national consumption can be made equal to the total national production. This is the argument which forms the basic theory of Social Credit.

Of the two applications of it, the first is the setting up of a National Credit Account, or a National Accounting Bureau. This is to be a government commission with a Chairman appointed for life. It is without political influence in any way whatsoever, having no voice in policy, but having only an actuarial duty to carry out.

The actuarial duty is, first, to estimate in terms of money the real wealth of the country as expressed in its productive capacity. A difficult task? No, not particularly. Why should it be? It is an actuarial task, and if we recall the involved problems which the actuarial profession solves with amazing accuracy, this particular problem does not seem an impossible one. Moreover there are already in existence all sorts of certified balance sheets and other records. Surely an estimate such as is needed is not beyond the power of skilled actuaries. Then the real wealth now in existence, having been estimated in this way, is to be made the basis of the issue of financial credit, somewhat after the methods which the bank uses when it allows a customer to create a deposit as the result of a loan. We come back to this in a moment.

As the method of carrying out the proposal there is introduced what is called the Just Price. This Just Price is not merely something which means a fair price, or an honest price. The term has a technical meaning. And the Just Price is arrived at as follows. The National Accounting Bureau would actuarially estimate the production costs of industry, and would divide those costs under two heads. It would estimate separately the *real* costs of production, i.e., the wear and tear, the use of raw materials, and the living costs of those who are employed in production and of their dependents. These real costs of production represent everything which is consumed in order to make production possible—the wastage, so to speak, that takes place in a productive period.

Then there are in addition all the other costs which,

together with these real costs, go to make up the total cost which is the financial cost.

Supposing then that the financial cost is represented by 100, and supposing the real cost is found actuarially to be 75, then the Just Price for the succeeding period would be announced as 75. Immediately all things would sell at retail for 75 per cent. of their previous prices.

A retailer is, of course, 25 per cent. out of pocket. He sends his sales-vouchers to the bank. The bank scrutinizes them and then gives him credit for the missing 25 per cent., and the banks reclaim this amount from the National Credit Account.*

The additional purchasing power, i.e., the additional financial credit, is issued from the National Credit Account on the basis (or security) of the estimated real wealth that the country possesses. This 25%, the difference between the former retail price and the Just Price, is called the National Discount.

But, says the critic, where is the money to come from? Let us wait a moment. Don't let us get a conception of enormous quantities of dollar bills. Let us remember that 97.3% of our present transactions are cheque transactions, not dollar bill transactions. We saw earlier that with this conception in mind the currency question assumed a new aspect. It was no longer a dollar bill question; it was a cheque-currency question. And the authority exercised as the basis for this additional cheque-currency is of the same nature as the authority which a

*A variant of this method is where the purchaser pays the full former price for his retail purchases, but recovers the 25% by having it credited to his account at his bank upon his presentation of his purchase vouchers.

bank exercises for the additional cheque-currency it issues when it advances a loan and thereby creates a deposit. But behind the authority of the National Credit Account is the real wealth of the country.

The critic says this is just inflation under another cover. Social Credit replies that this is not even disguised inflation. Inflation is inseparable from rising prices. Inflation operates when we add to existing money whilst goods remain fixed in amount; prices and not purchasing power then rise. But this proposal doesn't even begin to operate until prices have come down. It is only the difference between the new lower retail price, the Just Price, and the old higher retail price that is made up by the financial credit which is issued from the National Credit Account. Inflation is an increase of currency without any corresponding increase in production; prices must inherently be higher. But the kernel of Social Credit is the increased production that will immediately accompany the issue of the increased credit. To this we come in just one moment.

The critic says that prices won't come down. Social Credit replies they cannot help but come down. There has been no interference with competition. The big department stores will still be competing with one another. The independent trader will still be competing with his old competitors and with the department stores. The manufacturers of motor cars will still be competing one with another. Prices must inevitably come down by the amount of the National Discount for the period. Competition will see to this.

The Just Price, therefore, is a reduced price; the margin between that price and the old price being made up by a National Discount. Obviously the immediate result would be an enormously increased consumption-capacity. There would be an immediate and sustained increase in demand, and this would give an immediate and widespread stimulus to production.

Let us go on to the second application of the basic theory already mentioned. This second application is the creation of what is called a National Dividend. Everybody in the country is regarded as a shareholder in Canada, Incorporated. We are those shareholders. We are the successors in a big national inheritance, not merely on the cultural side but also on the real wealth side. And by regarding as the basis for financial credit one trivial portion of that real wealth of the country, there can be paid to every man, woman, and child, a National Dividend. One figure that has been suggested is $200 a year, another figure is $300; and this Dividend is payable to every man, woman, and child, as a shareholder in Canada, Incorporated. The authority for the issue of this additional financial credit (again representing increased purchasing power) is exactly the same as in the case of the National Discount already discussed. The amount of the individual dividend may be small, but let us remember that it goes to every individual. It is a kind of old age pension payable from birth. And let us remember that its actual purchasing power is increased by the National Discount which is already operative. The result is that this National Dividend would again increase consumption and this would again stimulate production.

Look at it as compared with a national unemployment insurance scheme. It is claimed—probably not very justly—that a national insurance scheme is an encouragement to people not to work, because a man pays out so long as he is employed, and draws from the scheme only when he is not working. Actually, an examination of the results in the Old Country suggests that the abuses of national unemployment insurance are relatively trivial. But if there is any encouragement against work by a national insurance scheme, there can be no such drawback in the case of the National Dividend. The individual gets the Dividend whether he is employed or not, and it represents an actual stimulus to work rather than any possible discouragement. The critic says that there would still be wasters. Yes, there would still be wasters. But let us remember the increased consumption and the stimulated production just discussed. There would be work for anyone who was able to work. If a man is able but not willing to work, he becomes a national charge. And if he becomes a national charge *he is kept out of his own National Dividend,* with the result that all the terrific load of taxation which is now going to the relief of unemployment is lifted at once.

The query as to where all this money is coming from has already been met in what has been said. The answer is practically the same as the answer to the query: where does the deposit come from when the bank creates it by making a loan? It is *created* in the same way. But in the case of Social Credit the creation is by the government, and the sanction behind the creation is the Real Wealth of the country.

But, it is asked, where is this additional money, or additional purchasing power ultimately going to? It is going from consumer to producer; it is coming back from producer to consumer. It is stimulating consumption; it is at the same time stimulating production. "Oh yes," the critic persists, "but what about withdrawing it?" Social Credit asks in return: "Why does it have to be withdrawn at all?" Social Credit asks that the critic will consider the only possible reason why it need ever be withdrawn. The only reason why it would have to be withdrawn, the only possible circumstances under which we need ever trouble ourselves so far as withdrawal is concerned, would be when the total national consumption would have caught up to the total national production. It should be particularly noted that the total amount of financial credit issued can never exceed the total amount of real credit or real wealth. The particular scale of financial credit that is issued under the National Discount is only issued for a fixed period. Three months is the suggested period. The scale of Discount is revised at the end of the period and announced for the next period. If prices are rising, if consumption is catching up to production, the national discount shortens from say, 25 to 20, to 15, to 10, to 5. It may disappear altogether. In fact it may be replaced by a sales tax. The only reason why that could happen would be because total national consumption would have caught up with total national production. And in the wildest dreams of economic recovery, in the wildest dreams of returning prosperity, has anyone imagined anything more wonderful than that,—that total national con-

sumption would have equalled total national production?

Whether that is achieved or not, it is the direction in which the country would then be moving. As the result of the National Discount plus the National Dividend there must inevitably be a stimulated consumption. This in turn must show itself in an immediately stimulated production. Increased production means cheaper production. And cheaper production again must in turn further stimulate consumption. The final result is the whole of industry starting on a new wheel, a new circle, a new cycle of restored and continued prosperity.

One thing which will be asked is what becomes of the banks. Nothing becomes of the banks. The banks remain as they are, except that they lose their credit-making function. That becomes a government function. Otherwise, the banks operate just as now. They take care of savings, and under such prosperous conditions savings would increase. They would lend the money out at interest and there would be much more to lend. But they would lend only actual deposits and would not create those deposits. Otherwise the banks are the agency through which the scheme would operate, and nothing happens to them except perhaps an increase of work.

The limitations of space restrict this booklet to a very bald outline of a few of the many ramifications of Social Credit, but one additional point which must be mentioned refers to Imports and Exports. It might appear that the question of Imports and Exports presents a serious complication. But the orthodox desire to increase Exports and to decrease Imports, in order to create what is referred to

as "a favourable balance of trade", is itself built on a fallacy which has been exploded periodically from the time of Adam Smith onwards. This is the fallacy which accepts the symbol of wealth as being wealth itself. Actually the real need is the extension by every possible means of the goods available for consumption by the individual, whilst at the same time there shall be a corresponding extension of his consumption-power, in other words of his purchasing power. If increased Imports and decreased Exports help towards this end, so much the better.

Social Credit, as already explained, foresees a nation being able to purchase and consume the full product of its own industry. Exported goods mean reduced real wealth within the country. But with a home market under Social Credit fully open to the producer, he would have little need to worry about Exports. Actually only surplus products, those not required by home consumption, would be exported. And to these, since they are sold in bulk and not at retail, the National Discount would not apply. At the same time, since increased home consumption would mean increased production, and since increased production would mean cheaper production, a reduced export cost and price is immediately possible, and Exports would not necessarily suffer.

On the other hand, all imported goods represent increased real wealth brought into the country. This increased real wealth should be made available to the consumer as fully as possible, and its consumption should be encouraged. The National Discount (through the Just

Price) would therefore apply whenever imported goods were sold at retail, because their consumption makes for the increased well-being of the community.

The Case Against Social Credit

Criticisms of the Social Credit theory will doubtless have occurred to the minds of those who have read so far. There is a limit to the validity even of the argument that money need have no particular value in itself. It is true that the movements of gold during and after the war revolutionised the views as to the amount of bullion necessary for the "backing" of paper and other token money. But has it yet been proved anywhere that a stable currency can be permanently maintained with no bullion basis at all? Even the British government has used its Currency Stabilisation Account to bring it through many squalls in the financial weather which would otherwise have been reflected in the value of its currency.

The French Intendant mentioned earlier must have rigidly restricted his output of playing-card money, just as our metal token-coinage is part of a "managed currency", controlled in output to secure its stability. Everyone knows of the sky-rocketting of the German paper currency consequent on the war finance; Germany until then had believed that government sanction was all that was necessary to fix the value of currency. British war finance was a masterpiece of financial management. The expansion of its currency, and likewise its contraction later, was unknown except to the experts. Yet its paper pound fell to 70% of its parity through the expansion of

currency. It was brought back to its parity when over a period of three years the government, through its incomings from taxation and other sources, withdrew from circulation $250,000,0000 of currency notes (*which it burnt*), $35,000,000 of silver coin, and $82,500,000 Bank of England Notes. Anyone who is interested in the operation should read the story told by Edwin Cannan in his book "Money".

The apparently unquestioning acceptance of token-money suggests that money need have no particular value in itself, but obviously the argument is valid only within certain limitations.

Similarly with the second point that was made in the first half of this booklet. This statement that the bank *creates* the loan, which in turn creates the deposit is true only within definite limitations. Bank deposits and bank loans are not something that go on in ever-increasing quantity. Normally, they are constant, or roughly constant. Certainly the banks do not go on continually and all the time creating new currency which is added to old, because cancellations are constantly taking place. New loans largely replace old loans.

Major Douglas quotes Mr. Reginald McKenna, the chairman of the Midland Bank, as having said: "Every bank loan and every purchase of securities by a bank creates a deposit." But a few hundred words further on McKenna proceeds to say: "While banks have this power of creating money they exercise it only within the strict limits of sound banking policy. Anyone who studies the monthly statements of the London Clearing Banks

will see that these banks keep a reserve of cash fairly constant in relation to the amount of their deposits. Thus a limit is placed on a bank's power of lending by the amount of its cash and, so long as the canons of conservative banking are conformed to, additional loans can only be made if this cash is increased. Banks lend or invest up to the full amount permitted by their cash resources, but they do not go beyond that point." This is a very different picture from that which Douglas presents either by his own statements or by his quotation from McKenna.

It is perfectly true that in times of depression the banks curtail their credit facilities. It may even be true, and probably is true, that the moment a little cloud of depression comes over the horizon, the bank puts up its umbrella before the storm starts. But is that conservatism not the very thing which has kept the credit system stable? Security does not permit the taking of risks. Anyone who has friends over the border knows not merely with what anxiety, but with what deep-seated disturbance, society is rocked when the credit security of a country is threatened in times of depression.

It is also perfectly true that in times of prosperity the banks expand their credit facilities. Indeed it probably is true that the accepted banking policy does actually increase the trend at any particular moment, by contracting its credit facilities or by extending them, the first in times of depression and the second in times of prosperity. But it is not true that either in normal times, or at any times, the banks go on and on and on, adding new currency to old. There seems to be a fallacy in the Social Credit argument

that deposits are in reality fictitious. Nor is it correct to say that, in the final analysis, industry in financed by bank deposits. In the long run it is financed by individual savings, or, as is often the case, by individual losses.

When the third point which was made earlier is reconsidered there seems to be something wrong in the argument, at any rate in the form in which it is stated, as to the insufficiency of consuming power in the possession of the consumer, and in the claim that there is never enough purchasing power in the possession of the consumer to buy back the product of industry.

Even accepting the statement that money is normally only distributable through the agency of salaries, wages, and dividends, the Douglas argument tends to suggest: first that the only money so distributed is through the producer of the final consumer's commodity; and secondly that the final consumer (the retail consumer) is expected to be able to buy back the entire product of industry.

The second suggestion is so obviously untenable that it cannot be intended to be involved in the argument. But in connection with the first suggestion, payments to the final consumer are all the time being made in the form of salaries, wages, and dividends by the manufacturers of producers' commodities as well as by the manufacturers of consumers' commodities. That is, the people responsible for the erection of buildings, for the making of machinery, for the production of raw materials, and even for the provision of the credit facilities by which the undertakings operate, are all people whose final product does not go directly to the consumer; nevertheless

they are all the time distributing purchasing power (in salaries, wages, and dividends) to that final consumer.

All these operations are going on at the same time. One store is being built to sell shoes; another store is already selling a consignment of shoes; the maker of shoes is manufacturing more; the tanner is producing hides for more again. Each of these undertakings, and many others which are involved, is at one and the same time handing out salaries, wages, and (we hope) dividends to final consumers and helping to create purchasing power, part of which will be spent on shoes.

Much more purchasing power is therefore flowing directly to the final consumer than the Social Credit argument suggests.

In the same connection attention should be drawn to something which is so generally accepted that it tends to be forgotten in such discussions, namely, consumer's credit.

It plays an enormous part in industry to-day. A man can buy a house and hold it on a mortgage. He has not "paid" for it. He can buy a motor car and pay for it on instalment. He can buy a radio, or a washing machine, or he can even furnish his house in the same way. Every time he does anything of this kind he is using consumer's credit, because he has not paid for the commodity he is enjoying. He goes to his doctor or to his dentist, and it may happen that his doctor or his dentist does not render an account for six months. Perhaps the man does not pay his account for another six months. He is to that extent living on consumer's credit. And it may be argued

that, so far from never being in possession of enough purchasing power to buy back the product of industry at any given time, the consumer is actually in possession of a very, very large number of goods and services long before he has paid for them. Indeed it might be said that he has not even begun to do the work necessary to earn the salary or wages which will ultimately pay for those goods and services.

There certainly seems to be something wrong with the case, as Social Credit presents it, concerning the insufficiency of purchasing power in the possession of a consumer for him to buy back the product of industry. The destruction of crops and commodities whilst purchasers exist who need those products and who would buy them at some price definitely indicates a serious and deplorable economic maladjustment. It does show an insufficiency of purchasing power where it is needed. But the argument presented by Social Credit does not seem to answer the case.

Turn for a moment to the finance of the Social Credit scheme. The suggestion of seventy-five per cent. for a Just Price was a very conservative suggestion. Sixty per cent., or even forty per cent. has been suggested. The figure is highly hypothetical. Leave on one side for a moment the National Discount which is to make up the balance, and look first at the National Dividend which will give every man, woman, and child, say $300 a year. At a rough estimate this National Dividend means three billion dollars a year in this country. Imagine the total as years go by. Having imagined this, what kind of a

figure must we then add to it as a total reached by the National Discount? A sum very, very much larger, even on the most conservative basis. This represents a tremendous quantity of additional purchasing power if a number of years are taken and the annual totals added together. It is easy enough to say that whatever the amount may be it doesn't matter; it is easy enough to say that it merely represents purchasing power going from consumer to producer, back to consumer, and back to producer again. But one thing which is involved is a fundamental in the whole problem, and it appears to be ignored. It is a fundamental which has never yet been disproved; it is the fact that the quantity of a thing which is in existence at a given time is an inseparable factor in the value of the unit. And though it may be true that this additional purchasing power created by Social Credit may not appear in huge quantities of additional dollar bills, in the last resort the purchasing power must be fluid. It must be easily transferable. It must be measurable by the unit. What is the unit? What can the unit be? There may not be cartloads of dollar bills, but ultimately the dollar bill is the unit of measure. It is known that if the banks substantially extend their credit facilities, rising prices inevitably follow, because the unit falls in value. So under this enormous issue of additional purchasing power, the same fundamental rule must still apply: the quantity of a thing which is in existence at a given time is an inseparable factor in the value of the unit. That law applies to radium, it applies to diamonds, it applies to gold, it applies to dollar bills, it applies to any commodity

in this world. And whatever temporary lowering effect on prices the Just Price and the National Discount may produce, in the long run as the quantity of purchasing power is increased and as the value of the purchasing unit falls, prices must inevitably rise.

Consider again the basis which is to be accepted for the creation of the additional financial credit or purchasing power. It has been shown that the basis for the bank loan which creates the bank deposit is something both substantial and fluid, and that the total amount of these loans and deposits is proportionate to certain fluid assets. Social Credit proposes to take this credit function away from the banks, and to regard the real wealth of the country as the basis for the issue by the government of further financial credit or purchasing power far beyond what the banks themselves have countenanced. Ignoring the absence of any fluid quality in much of this real wealth, can a pointer be directed at any one bit of real wealth, in this country or in any other country, to which there is not already fastened a ticket indicating possession?

The General Manager of one of the large insurance companies in England came over here three or four years ago to find an avenue for investment funds. Almost his first question on arriving in Toronto was: "Are there other cities in Canada with big buildings like Toronto?" "Oh, yes." "And what is your population?" "Oh, about ten millions." "Well, don't you know that you are over capitalised?" "Why?" He said: "Well, I came to the Union Station—a beautiful station, a magnificent station. I went out of it and I faced a beautiful and magnificent

hotel. I looked around and I saw skyscrapers, enormous buildings. These are apparently repeated, even if not to the same extent, in other parts of the country. For your population you are over capitalised."

He may be right or he may not. But it may again be asked, can a pointer be directed at one spot of the real wealth of the country that is not already tagged with a ticket indicating financial ownership, and moreover (if this man is right) tagged with a financial ownership ticket which exceeds the real value. There are financial ownership tickets attached to the railways. Municipalities in many cases are mortgaged up to the hilt. The extent of watered stock is known to everyone. Where is the real wealth to which a possession ticket is not already attached? How can this real wealth again be capitalised, so to speak, in order to create financial credit when the full, perhaps over-full, measure of financial credit justified by that real wealth is already in existence?

One last argument may be offered in the space that is available. There is now in existence a credit system which, perfectly or imperfectly, does work. It is backed by a banking system which, perfectly or imperfectly, does work. If that system which does work, whether imperfectly or otherwise, is scrapped, and if there is substituted a hypothetical system which *may* work but which may not work, what then will happen supposing the hypothetical system does not work when we have scrapped the system that does work? In that event could the result be expressed in any other terms than those of economic disaster?

AFTERWORD

These are the two sides as they have appeared to one who became first interested in the subject because of the support given to the Douglas scheme by a friend for whose intelligence and judgment he has the greatest respect. That friend, whilst not accepting the whole theory, gave it support because of the belief that it deserved full ventilation, and from a conviction that whether Douglas had or had not found a solution to our present ills, he had, at any rate, "put his finger on something".

This stimulus led to a fairly wide reading on both sides, the summary of which has here been presented. The reader who has had patience to read to the end now has his choice of the swings and the roundabouts. He may go on the swings if he so chooses. If he does not like the swings the roundabouts are available.

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